
Mid-Maine Telecom ("Mid-Maine") and the Office of the Public Advocate ("Public Advocate") hereby agree and stipulate as follows:

I. PURPOSE

The purpose of this Stipulation is to settle all issues in this proceeding, to avoid a hearing on the issues raised in this case and to expedite the Commission's consideration and resolution of this proceeding. The provisions agreed to herein have been reached as a result of the review of information provided by Mid-Maine as a part of its initial filing, in response to written Data Requests and oral information requests, and in meetings and conference calls among Mid-Maine, the Public Advocate and the Commission's Advisory Staff ("Staff").

II. BACKGROUND

On May 27, 1997, the Maine Legislature enacted 35-A M.R.S.A. § 7101-B which required the Commission to establish intrastate access rates for local exchange carriers based on their interstate access rates by May 30, 1999, and every two years thereafter. The Commission subsequently adopted Section 8(J) of Chapter 280 of its Rules, which set forth the method by which Section 7101-B would be implemented. As a preliminary step towards achieving this goal, Section 8(J) required all independent telephone companies ("ITCs"), including Mid-Maine, to reduce their intrastate access rates by 40% of the difference between their existing rates and the level of the interstate access rates by May 30, 1998.

On December 17, 1997, Mid-Maine filed its initial schedule of intrastate access rates (Docket No. 97-859). On May 27, 1998, the Commission issued an Order Approving Initial Filings, which allowed the filed schedules of intrastate access rates to become effective on May 30, 1998. After the proceedings for the ITCs were concluded, the Staff and the Telephone Association of Maine ("TAM") began informal discussions to attempt to resolve issues regarding the access rate reductions planned for May 30, 1999. In October and November, 1998, the ITCs, including Mid-Maine, provided the Staff with earnings analyses of the impact of the further reductions.

On November 24, 1998, the Commission opened formal investigations into the rates of each of the ITCs, including Mid-Maine under Docket No. 98-897 (the "Mid-Maine Access Case"). The purpose of those investigations, as set forth by the Commission in each of the Notices of Investigation, was as follows:

As required by statute, Mid-Maine Telecom's intrastate access rates must be reduced to the interstate level or lower no later than May 30, 1999. This investigation will consider the potential financial impact upon the Company from this change, and may examine other factors, such as changes to basic local exchange rates or the need for a state universal service fund, that may be needed to offset all or a part of the revenue effect of access rate reductions. Any adjustment to revenues will be based on an assessment of amounts needed to allow the Company an opportunity to earn a fair rate of return.

On January 28, 1999, the Commission issued its Interim Order in the Access Cases which stated the goals that the ITCs would be required to reduce access rates as necessary to achieve intrastate access rates at NECA Pool Disbursement levels by May 30, 1999, and that the ITCs would be required to further reduce intrastate access rates to NECA Tariff No. 5 levels over the two years following May 30, 1999. The Interim Order also stated that:

We expect that the ITCs will continue to participate fully in the discovery conferences conducted by Staff. We are hopeful that after further discussions, the ITCs and the other parties will propose stipulated transition plans for our review.

In the months following the Interim Order, Mid-Maine, the Public Advocate, and the Staff continued to meet and discuss the elements of a plan for transitioning to access rates closer to the NECA Tariff No. 5 level by May 2001. Throughout this period, Mid-Maine participated and cooperated fully with the Staff and the Public Advocate and provided updated earnings analyses and additional requested information to the Staff and the Public Advocate.

These discussions among Mid-Maine, the Public Advocate, and the Staff resulted in a Stipulation dated April 27, 2000 (the "April 2000 Stipulation") that contained, inter alia, the following provisions:

a. Goals and Objectives. The parties recognized that in its Interim Order the Commission stated its goal to establish by May 30, 2001 intrastate access rates for ITCs at the level of the NECA Tariff No. 5 interstate switched access rates. The Commission further stated that an ITC was not precluded from making a showing that its particular circumstances warrant a deviation from the stated goal, and that the Commission would remain open to individual company circumstances and mindful of each company's need for a reasonable rate of return. The parties also recognized the policy objectives of maintaining the affordability and comparability of Mid-Maine's rates for basic telephone service.

b. Access Rate Moratorium. From the date of the Commission's approval of the April 2000 Stipulation through May 29, 2001, Mid-Maine would not be required to reduce its intrastate access rates below their then currently existing levels as of April 27, 2000.

c. General Rate Proceeding. The parties agreed that, from the date of the Commission's approval of the April 2000 Stipulation until not earlier than August 30, 2000, neither Mid-Maine nor the Commission would initiate a rate proceeding for the purpose of effectuating or investigating an increase or decrease of Mid-Maine's rates for basic exchange service and intrastate access service. Mid-Maine agreed that no later than August 30, 2000, it would file revised rate schedules which would include Mid-Maine's proposed reduction in access rates and any change in rates for basic exchange service, in accordance with the Goals and Objectives in subparagraph a, above, which rates would not be implemented until May 30, 2001. The rate structure of the access rates to be implemented on May 30, 2001, was to be consistent with the rate structure requirements of Section 8(J) of Chapter 280 of the Commission's Rules, unless those requirements were waived by the Commission.

d. Relationships of Access Rates and Basic Rates. The parties agreed that, to the extent the Commission's goal of reducing access rates to the NECA Tariff No. 5 level by May 30, 2001, conflicts with the goals of affordable and comparable rates while allowing a reasonable rate of return, the parties and the Commission would explore and consider alternatives, including a smaller reduction in access rates to a level above the NECA Tariff No. 5 level and/or the implementation of a state universal service fund, in order that local rates could be maintained at affordable and comparable levels.

e. Revenue Requirement Reduction/Amortization Period. The parties agreed that in establishing the rates to be implemented on May 30, 2001, the annual revenue requirements of Mid-Maine would be reduced by an Annual Amortization Amount to be determined by dividing a Total Amortization Amount of \$900,000 by an Amortization Period of between 3 and 5 years. If the parties failed to agree on the Amortization Period, a 5 year period would be used, in which event the Amortization Period would end on May 29, 2006.

f. Calling Area Plans. Mid-Maine also agreed to separately address certain calling area issues with regard to its West Enfield and Levant exchanges. These matters were addressed and resolved by the inclusion of the Lincoln exchange in the Premium Calling Area of the West Enfield exchange, effective October 1, 2000, and by the dismissal of the complaint regarding the Glenburn area of the Levant exchange by Order dated October 4, 2000, in Docket No. 99-324.

The April 2000 Stipulation was approved by the Commission by Order dated May 12, 2000, and by Corrected Order dated May 23, 2000.

On September 15, 2000, Mid-Maine filed its Chapter 120 financial data and additional data which had been requested in advance by the Staff and the Public Advocate. This filing was docketed by the Commission's Administrative Director as a general rate case filed pursuant to 35-A M.R.S.A. § 307. During August, 2000, the Public Advocate, the Staff, and Mid-Maine had jointly developed and approved a form of notice to be sent by Mid-Maine to its customers. On September 21, 2000, Mid-Maine

requested a waiver of the requirement that the notice to its customers of the commencement of a rate proceeding be given within 15 days after the commencement of the proceeding. The Hearing Examiner granted this request on September 25, 2000. The Public Advocate was the only party to file a Petition to Intervene in this case.

On October 13, 2000, the Hearing Examiner issued a Procedural Order in this case and in similar cases of other Independent Telephone Companies, that granted waivers from the Chapter 120, Section 5 requirement that in a general rate case the filing must include proposed rate schedules, a proposed rate design, and copies of customer notices with the filing, and directed that these cases should be completed by May 30, 2001, the target date for further reductions in intrastate access rates. The Procedural Order also ordered Mid-Maine to file copies of the notices sent to customers, which filings were made.

The Procedural Order granted the Public Advocate's Petition to Intervene in each of these cases. The Procedural Order also directed that copies of the Procedural Order be sent directly to the other persons who had been parties to Docket No. 98-897. Those parties were informed that, if they desired and notified the Commission, they would be granted intervenor status in these new dockets and that they did not need to file a new Petition to Intervene. No further petitions to intervene were received.

In the months following the Procedural Order, Mid-Maine, the Staff, and the Public Advocate continued to review the revenue requirement of Mid-Maine. The Public Advocate filed two sets of Data Requests, and Mid-Maine filed responses or objections to both sets. This Stipulation resolves all outstanding discovery issues. On December 21, 2000, Mid-Maine met with the Staff and the Public Advocate to discuss the revenue requirement and rate design which would provide reasonable rates to customers, allow Mid-Maine to earn a reasonable return, and provide a reduction in intrastate access rates towards the NECA Tariff No. 5 level by May, 2001. In addition, Mid-Maine and the Public Advocate subsequently communicated and negotiated on these issues via conference calls and email.

During discussions the participants reviewed and considered the following for Mid-Maine:

- a. Data and information about the 1999 test year, the 1999 test year with only the adjustments for the Amortization Amount contained in the April 2000 Stipulation, and the full Chapter 120 filing based on its 1999 test year plus known and measurable changes, together with responses to Data Requests, responses to oral information requests, and other information provided.
- b. The analysis, opinions, advice, and comments of various experts, both in-house and paid consultants, including, for Mid-Maine, Berry, Dunn, McNeil & Parker for revenue requirement and rate design, and, for the Public Advocate, Exeter Associates (Silver Springs, MD) for revenue requirement and the various adjustments, and Steve Hill (Hurricane, WV) for return on equity and capital structure.

- c. Various adjustments and modifications proposed by the Public Advocate, including different returns on equity, various adjustments to the companies' numbers and calculations, and a possible accretion adjustment.
- d. The existence of other important issues still facing Mid-Maine and other ITCs in Maine, such as modifications to the Basic Service Calling Area Rule, the unresolved issues of the treatment of Internet minutes, virtual NNX, and other issues which are developing, some of which are being examined by this Commission in pending dockets.
- e. The Commission's goal of moving the basic local exchange rates charged by each ITC closer to the basic local exchange rates charged by Verizon for its customers with similarly-sized calling areas.
- f. The objective of moving intrastate access rates to interstate levels.
- g. The objective of keeping local rates and any increases reasonable and allowing Mid-Maine an opportunity to earn a reasonable return.

I. STIPULATION PROVISIONS

The parties to this Stipulation agree and recommend that the Commission order as follows:

A. Intrastate Revenue Requirement. The intrastate revenue requirement for Mid-Maine to be generated by local network service and intrastate switched access service is equal to its Adjusted Total Intrastate test year revenues for these services reduced by the following amount: \$1,093,042, which reflects the net effect of a reduction in intrastate switched access revenues of \$1,173,396 and an increase in local network service revenues of \$80,354.

B. Increases to Local Rates. Based on the intrastate revenue requirement identified above, local rates should be increased to generate the following additional revenue for Mid-Maine: \$80,354.

C. Rate Design. The local rates charged by Mid-Maine shall be modified as follows:¹

- a. The R-1 and B-1 rates for each exchange shall be increased by an amount equal to 50% of the difference between the current R-1 and B-1 rates and the current R-1 and B-1 rates charged by Verizon (based on Verizon's rate groups).

¹ These rate design principles summarize most of the changes to the rates and tariffs. Attachment 1 contains the specifics of every rate change.

- b. All other local exchange rates (such as vacation rates, centrex, key and pbx rates) shall receive similar changes.

Attached to this Stipulation as Attachment 1 are the resulting rate elements and rates for each exchange of Mid-Maine.

D. Adjustment in Intrastate Access Revenue. As a result of the revenue requirement and the rate design changes described above, Mid-Maine will decrease its test year intrastate access revenues by the following annual dollar amount: \$1,173,396.

E. New Intrastate Access Rates. Mid-Maine will establish new intrastate switched access rates that will (a) reflect the adjustment in annual intrastate access revenue referred to in the preceding paragraph, and (b) reflect the structure of NECA Tariff No. 5 interstate switched access rates. The resulting intrastate access rates to be filed are set out in Attachment 2 to this Stipulation.

F. Additional Intrastate Revenue Requirement Above NECA Tariff No. 5 Rates.² Presently it is not practical to reduce the intrastate switched access rates of Mid-Maine to or below Mid-Maine's NECA Tariff No. 5 rates. The parties agree that the location, service territory, and circumstances of Mid-Maine results in the need for intrastate access revenue that is greater than the intrastate access revenue that would result from the application of such NECA Tariff No. 5 rates for Mid-Maine's current intrastate switched access service. The parties agree that for Mid-Maine the annual amount by which its current intrastate access revenue exceeds the revenue that would be generated if its intrastate switched access rates were set equal to its NECA Tariff No. 5 rates is as follows (based on the January, 2001 NECA Tariff No. 5 rates).³ \$409,786.

G. Automatic Recognition of Certain Change: The parties have identified the following possible future event at the federal level that could have a significant impact on Mid-Maine (and other ITCs in Maine): Adoption by the Federal Communications Commission ("FCC") of the recommendation of the Rural Task Force ("RTF") for an increase in the current cap on the total high cost USF support available to Mid-Maine in any single year. In the event (i) this change becomes effective prior to December 31, 2001, and (ii) the amount of such change exceeds \$50,000 per year for Mid-Maine, then as soon as practicable following the effective date of such change, Mid-Maine shall adjust its intrastate revenues to pass through to its local and/or interexchange customers the amount by which the annual revenue effect of the change exceeds \$50,000. The method to distribute/collect this amount shall be determined by Mid-Maine and the Public Advocate, subject to approval by the Commission. This pass-through shall last

² These amounts are based on the assumptions (a) that there is no intrastate flat monthly subscriber line charge assessed to either the subscribers or the interexchange carriers involved, and (b) that no comparable intrastate components have been created to recognize the non-NECA Tariff No. 5 revenues that provide the balance of recovery of the interstate revenue requirement.

³ This means that, if Mid-Maine were to set its rate for each element of intrastate switched access equal to its current NECA Tariff No. 5 interstate rate, Mid-Maine would immediately suffer a reduction in intrastate revenue equal to these stated amounts (based on its 1999 test year).

until the next review of its intrastate revenue requirement but no later than May 30, 2003.

H. Effective Date. The changes in local and intrastate access rates described above shall be effective on May 30, 2001, or as soon thereafter as such rates can be implemented following approval by this Commission. Mid-Maine shall make all local rate changes effective on the first day of a billing cycle. For intrastate access rates, the effective date will coincide with the date of the local rate change.

I. Public Hearing. If the Commission finds that the Stipulation provisions relating to intrastate revenue requirement are reasonable and that the other provisions have merit and should be considered further, the parties recommend that the Commission shall conduct a public hearing at _____ (or at such other location as the Commission shall order), at such time as the Commission shall order, for the purpose of receiving public comment on the proposed rates resulting from this Stipulation. If the Commission decides to conduct a public hearing, Mid-Maine shall send a notice to each of its customers notifying them of these changes and of the hearing to be held by this Commission. The form of notice to be used by Mid-Maine with its retail customers is attached as Attachment 3.⁴ If a public hearing is held, the Commission shall further deliberate on the merits of this Stipulation and issue its final Order on this Stipulation.

J. Staff Presentation of Stipulation. The parties to the Stipulation hereby waive any rights that they have under 5 M.R.S.A. § 9055 and related Commission Rules to the extent necessary to permit the Staff to discuss at public deliberations this Stipulation and the resolution of this case with the Commission, without the participation of any party.

K. Record. The record on which the Commission may base its determination whether to accept and approve this Stipulation shall consist of this Stipulation, and all documents provided in responses to data requests and information requests of the Public Advocate and the Staff.

L. Non-Precedential Effect. Except where it may be expressly noted herein, the Stipulation shall not be considered legal precedent, nor shall it preclude a party from raising any issues in any future proceeding or investigation on similar matters subsequent to this proceeding.

M. Stipulation as Integral Document. This Stipulation represents the full agreement between all parties to this Stipulation and rejection or modification of any part of this Stipulation, including rejection or modification of the rate design provisions following any public hearing to be held as provided in paragraph III(J), above, constitutes a rejection of the whole.

⁴ This proposed form of notice has been reviewed and approved by the Staff.

MID-MAINE TELECOM

Date:_____

By:_____
Its

OFFICE OF THE PUBLIC ADVOCATE

Date:_____

By:_____
Its

Attachment	1	New rates and rate elements (Sec. III, paragraph C)
	2	New intrastate access rates (Sec. III, paragraph E)
	3	Form of notice to customers (Sec. III, paragraph I)

J:\MIDMAINE\Rate Case\2001\Stipulation 041201 clean.doc